



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES
AND
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES**

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy Lee Watkins, Henderson County Judge/Executive

Honorable Dennis Clary, Henderson County Sheriff

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the Henderson County Sheriff's Settlement - 1998 Taxes as of July 13, 1999, Sheriff's Settlement - 1997 Unmined Coal Taxes as of July 28, 1998, and Sheriff's Settlement - 1998 Unmined Coal Taxes as of July 13, 1999. These tax settlements are the responsibility of the Henderson County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Henderson County Sheriff's taxes charged, credited, and paid as of July 13, 1999, and July 28, 1998, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Mr. John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Sandy Lee Watkins, Henderson County Judge/Executive

Honorable Dennis Clary, Henderson County Sheriff

Members of the Henderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
October 19, 1999

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

July 13, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,076,406	\$ 983,227	\$ 4,979,855	\$ 1,817,045
Tangible Personal Property	155,552	155,552	719,643	852,884
Intangible Personal Property				367,819
Limestone, Sand, and Gravel	4	3	18	6
Fire Protection	1,096			
Franchise Corporation Taxes	126,626	123,990	580,999	
Oil and Gas	10,197	9,132	47,176	17,145
Additional Billings	2,028	1,994	9,383	974
Increased Through Erroneous Assessments	299	269	1,384	539
Penalties	7,100	6,470	32,610	12,533
Adjusted to Sheriff's Receipt	16	38	16	(368)
Gross Chargeable to Sheriff	<u>\$ 1,379,324</u>	<u>\$ 1,280,675</u>	<u>\$ 6,371,084</u>	<u>\$ 3,068,577</u>
<u>Credits</u>				
Discounts	\$ 19,735	\$ 18,240	\$ 91,252	\$ 50,293
Exonerations	4,395	3,962	20,334	8,546
Delinquents:				
Real Estate	23,124	20,953	106,918	38,856
Tangible Personal Property	12,642	12,642	58,485	62,044
Intangible Personal Property				122
Additional Bills	1,088	1,074	5,034	397
Oil and Gas	543	486	2,512	913
Limestone, Sand, and Gravel	2	2	9	3
Total Credits	<u>\$ 61,529</u>	<u>\$ 57,359</u>	<u>\$ 284,544</u>	<u>\$ 161,174</u>
Net Tax Yield	\$ 1,317,795	\$ 1,223,316	\$ 6,086,540	\$ 2,907,403
Less: Commissions *	<u>56,294</u>	<u>51,992</u>	<u>121,731</u>	<u>123,852</u>
Net Taxes Due	\$ 1,261,501	\$ 1,171,324	\$ 5,964,809	\$ 2,783,551
Taxes Paid	1,260,647	1,170,758	5,961,867	2,780,548
Refunds (Current and Prior Year)	<u>643</u>	<u>585</u>	<u>2,970</u>	<u>3,005</u>
Due District or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 211</u>	<u>\$ (19)</u>	<u>\$ (28)</u>	<u>\$ (2)</u>

* and ** See Page 4

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
July 13, 1999
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	5,438,514
2% on	\$	6,086,540

** Special Taxing Districts:

Health District	\$	(18)
Extension District		<u>(1)</u>
(Refunds Due Sheriff)	\$	<u><u>(19)</u></u>

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

July 28, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 13,293	\$ 12,150	\$ 61,461	\$ 22,440
Omitted Taxes	1,137	1,000	5,147	2,646
Omitted Taxes - Penalty and Interest	164	144	782	377
Penalties	236	205	977	533
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Gross Chargeable to Sheriff	\$ 14,830	\$ 13,499	\$ 68,367	\$ 25,996
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Credits</u>				
Discounts	\$ 221	\$ 201	\$ 1,021	\$ 373
Exonerations	625	550	3,023	1,434
Delinquents	506	467	2,299	943
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Total Credits	\$ 1,352	\$ 1,218	\$ 6,343	\$ 2,750
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Net Tax Yield	\$ 13,478	\$ 12,281	\$ 62,024	\$ 23,246
Less: Commissions *	573	522	1,240	988
	<hr/>	<hr/>	<hr/>	<hr/>
Net Taxes Due	\$ 12,905	\$ 11,759	\$ 60,784	\$ 22,258
Taxes Paid	12,584	11,487	59,589	21,500
Refunds (Current and Prior Year)	321	272	1,195	758
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Due Districts				
as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>

* Commissions:

4.25% on	\$ 49,005
2% on	62,024

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

July 13, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 15,438	\$ 13,854	\$ 71,638	\$ 26,155
Penalties	380	341	1,760	640
Gross Chargeable to Sheriff	<u>\$ 15,818</u>	<u>\$ 14,195</u>	<u>\$ 73,398</u>	<u>\$ 26,795</u>
<u>Credits</u>				
Discounts	\$ 127	\$ 114	\$ 589	\$ 214
Delinquents	263	236	1,214	441
Total Credits	<u>\$ 390</u>	<u>\$ 350</u>	<u>\$ 1,803</u>	<u>\$ 655</u>
Net Tax Yield	\$ 15,428	\$ 13,845	\$ 71,595	\$ 26,140
Less: Commissions *	656	588	1,432	1,111
Net Taxes Due	\$ 14,772	\$ 13,257	\$ 70,163	\$ 25,029
Taxes Paid	14,721	13,250	70,059	24,990
Refunds (Current and Prior Year)	23	7	107	39
Due District or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 28</u>	<u>\$ 0</u>	<u>\$ (3)</u>	<u>\$ 0</u>

* Commissions:

4.25% on	\$	55,413
2% on	\$	71,595

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

July 28, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff's office maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of July 28, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

HENDERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
July 28, 1999
(Continued)

Note 4. Property Taxes

1998 Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 1998 through May 30, 1999.

1997 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 24, 1997 through March 31, 1998.

1998 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 17, 1998 through April 30, 1999.

Note 5. Interest Income

The Henderson County Sheriff earned \$25,561 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Sandy Lee Watkins, County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Henderson County Sheriff's Settlement - 1998 Taxes as of July 13, 1999, Sheriff's Settlement - 1997 Unmined Coal Taxes as of July 28, 1998, and Sheriff's Settlement - 1998 Unmined Coal Taxes as of July 13, 1999. We have issued our report thereon dated October 19, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henderson County Sheriff's Settlement - 1998 Taxes as of July 13, 1999, Sheriff's Settlement - 1997 Unmined Coal Taxes as of July 28, 1998, and Sheriff's Settlement - 1998 Unmined Coal Taxes as of July 13, 1999 are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Sandy Lee Watkins, County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 19, 1999

